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STUDY ON CUSTOMER RELATIONMANAGEMENT IN BANSING SECTOR IN INDIA

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ABSTRACT

Customers are the focal point in the development of successful marketing strategy. Marketing strategies both influence and are influenced by consumers' affect and cognition, behaviour and environment. In the banking field a unique 'Relationship' exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt Customer Relationship Management (CRM). It is with this background, the researcher has made a modest attempt towards the idea that Customer Relationship Management can be adapted uniformly in the banking industry for betterment of Banking Services. The lack of understanding on Customer Relationship Management is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on Customer Relationship Management practices among banks should also be taken into consideration.

Key words: Customer Relationship Management

INTRODUCTION

Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organizations got affected from this revolution; the banking industry is one of it (Sherif, 2002). In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions (Sherif, 2002). In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were the competitive pressure that arose from the deregulation of the financial services market particularly in India. This essentially exposed clearing banks and the retail banking market to increased competition and led to a blurring of boundaries in many traditional product markets (Durkin, 2004). The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behaviour, executives can have a better understanding, a predicative future behaviour and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve (Dyche, 2001).

In India, the banking sector has been operating in a very stable environment from last thirty - forty years. In current scenario of banking sector, the falling of interest rates and tough competition between these players had made Indian bankers to realise that the purpose of their business is to create and retain a customer and to see that the entire business process is consistent with an integrated effort to discover, retain and satisfy customer needs. But the success of' CRM Strategy depends upon its ability to understand the needs of the customer and to integrate them with the organisation's strategy, people, technology and business process. Financial services are in a structural change whereby competition and customer demands are increasing.

RELATED LITERATURE

The implementation of CRM systems has been widely reported by both CRM software vendors and academic researchers. The popular CRM systems appear to be: call centre, contact management, data warehousing, portals, and workflow and business process management for the purposes of retaining existing customers and developing new customers. Xu et al. (2002) suggest that contact centers have been playing a major role within the CRM picture. Taylor and Hunter (2002) report that the European customer support and service market is still largely focused on call centers, particularly in the UK. Very few practitioners are making optimum use of their client database, because they are failing to update, quantify and qualify the information collated about the clients (Dyer, 1998). A few reports even suggest that CRM systems fail to have the transformational impact widely promised by the software industry and expected by the business community. For example, Harvey (2011) cited Gartner's report by saying that 65 per cent of CRM implementations result in failure. Most CRM systems are used to improve customer-facing operations. Rowley (2002) argues in line with Harvey that 80 per cent of CRM implementations fail, and academics express scepticism about the viability of interpreting customer data in such a way that it generates useful insights into customer and user behaviour. Bolton (2014) agrees to these arguments by stating that many of the early CRM implementations seem to have failed.

CRM in financial service industry is a cyclical process which starts with definition of customer actions (Panda, 2003). CRM is fundamental to building a customer-centric organisation. CRM is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables the organisation to maximise profitability from every customer. Panda (2003) described customer expectations are difficult to manage but are often the cause of dissonance which results in loss of existing customer base. So understanding of customer expectations with regard to service delivery levels and product quality is essential for establishing a long term symbolic value relationship. From the foregoing, it can be said that the purpose of CRM is to bring about Customer Focused Services (Gummesson, 1987; Gronroos, 2010; Varki and Colgate, 2005; Gan et al., 2006), Information and Communication Technology, Complaints Management (Wilke 1994; Ingram,1996; O'marley and Tynan, 2000; Gilly et al., 2014; Achumba, 2012), High Quality Service (Khandwalla, 1995; Eisingerich and Bell, 2006), Timeliness in Service Delivery, Friendliness of Employees (Reinatz and Kumar, 2003), Ease of Opening Account and Competitive Charges in order to enhance organisational performance as indicated by such variables as Customer Satisfaction (Morgan and Hunt, 1994; Naidu et al., 1999), Customer Retention (Dick and Basu, 2005; Morgan and Hunt, 1994; Reichheld, 1996), increase in number of customers (Groonroos, 1990), and increased net profit (Khandwalla, 1995; Page et al., 2016).

The literature on CRM suggests that banks should consider the customer relationship life cycle (Dwyer et al., 2014). In general, there are three core phases: customer acquisition, customer enhancement, and customer recovery. The acquisition phase describes the initiation of a customer-bank relationship. In CRM initiatives, customer representatives' help customers get used to the products and services, thereby increase customer familiarity. As the service industry has a high degree of integration and interaction in terms of contact contribution, empowerment is a helpful instrument for successful control of individual customer relationships (Mudie and Cottam, 1993). Service recovery is critical as it provides an opportunity to retain customers. If the customer has been lost but is still attractive, recovery offers could be made to the customer (e.g. cancellation in the initiation fee; taking care of formality caused by the switching) or value added services could be offered. In the customer-centered paradigm, customer asset management (CAM), customer equity (CE), return on quality and service profit chain are similar to CRM (Berger et al., 2002; Blattberg et al., 2001; Rust et al., 1995; Heskett et al., 1994).

CRM OBJECTIVES IN BANKING SECTOR

The idea of CRM is that it helps businesses use technology and human resources gain insight into the behavior of customers and the value of those customers. If it works as hoped, a business can: provide better customer service, make call centers more efficient, cross sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues.It doesn't happen by simply buying software and installing it. For CRM to be truly effective, an organization must first decide what kind of customer information it is looking for and it must decide what it intends to do with that information. For example, many financial institutions keep track of customers' life stages in order to market appropriate banking products like mortgages or IRAs to them at the right time to fit their needs. Next, the organization must look into all of the different ways information about customers comes into a business, where and how this data is stored and how it is currently used. One company, for instance, may interact with customers in a myriad of different ways including mail campaigns, Web sites, brick-and-mortar stores, call centers, mobile sales force staff and marketing and advertising efforts. Solid CRM systems link up each of these points. This collected data flows between operational systems (like sales and inventory systems) and analytical systems that can help sort through these records for patterns. Company analysts can then comb through the data to obtain a holistic view of each customer and pinpoint areas where better services are needed. In CRM projects, following data should be collected to run process engine: 1) Responses to campaigns, 2) Shipping and fulfillment dates, 3)Sales and purchase data, 4) Account information, 5) Web registration data, 6) Service and support records, 7) Demographic data, 8) Web sales data.

APPRAISAL OF THE PERFORMANCE OF THE BANKING SECTOR

India's financial market has been gradually developing, but still remains bank-dominated in the reform period. The extent of financial deepening measured by total deposits in GDP has risen only modestly from 30 per cent in 1991 to 38 per cent in 1999. Capital market development has also been quite sluggish. Outstanding government and corporate bonds as a share of GDP rose from 14 per cent in 1991 to 18 per cent in 1999 and from only 0.7 per cent in 1996 to 2 per cent in 1998, respectively, while equity market capitalization dropped from 37 per cent in 1995 to 28 per cent in 1999.

Nevertheless, the government's commitment on restructuring the highly regulated banking sector appears strong. Since financial reforms were launched in 1991 and particularly when the entry of new banks was permitted in 1993, public-sector banks appear to have become more conscious of the need for greater profitability and efficiency, suggesting that the reform has had a favorable impact on India's financial market.

While foreign banks have received higher interest rate spreads than private domestic banks and public-sector banks, their margins have become comparable in 2000. An alternative indicator shows that while all types of banks reduced interest rate margins over the sample period, those of public-sector and private domestic banks have generally remained negative and recently even worsened. This suggests that domestic banks must obtain income from other activities to maintain profitability and thus extend credit to the private sector.

RESULT

The basic objective of opening up was to tap the tremendous potential of the insurance sector in terms of increase in the number of insurance products in addition to players. It was aimed at throwing open more options for consumers in terms of products, price benefits and procedures. It was also aimed at generating long-term funds for giving a real push to the infrastructure sector. While fulfilling the objectives for which the sector was opened up, post-liberalization insurance sector joined the stream of service industry which experienced a boom in its growth. In a matter of nine years, the industry has brought about paradigm shift in the meaning and relevance of 'Insurance' to the common man. Insurance penetration has witnessed commendable increase from 1.77 in the year 2000 to 7 in the year 2016 in life insurance sector.

Table 1

Deposit Insurance and Credit Guarantee Corporation - Liabilities and Assets

(Rupees crore)

Year	Surplus Balance	Investment Reserves	Total Liabilities Assets	Investments in Central Government Securities (at Cost)
2003-04	3687	261	6600	5453
2004-05	4683	261	7584	5999
2005-06	5037	259	8740	7079
2006-07	6942	475	11797	9363
2007-08	8077	641	14102	10284
2008-09	9767	954	17008	12194
2009-10	11809	1050	20853	14399
2010-11	14339	929	25515	17268
2011-12	16877	1661	29682	21532
2012-13	17586	1963	32362	25323
2013-14	19237	2152	34467	28373
2014-15	19187	2149	34121	28227
2015-16	20287	2312	35212	28565

This growth process in the sector has pioneered abundant opportunities in terms of employee generation both within the sector and in supporting services sector like Business Process Outsourcing (BPO) and Information Technology (IT). The growth is expected to be sustained in the coming years with dynamic changes in the insurance sector in terms of product innovation.

Insurance industry has witnessed a business growth of Rs. 5453 crore in 2003-04 to Rs. 28565 crore in 2015-16. Ever since, there has been paradigm shift in the meaning and relevance of 'Insurance' to the common man. This growth process in the sector has pioneered abundant opportunities in terms of employee generation. In this scenario, Chartered Accountants (CAs) are thrust with responsibility to authenticate various information submitted to the Regulator by an insurance company.

CONTRIBUTION OF INSURANCE IN FINANCIAL SECTOR

Insurance companies as mandated by the Insurance Act, 1938 are required to have their final accounts audited as required under the Companies Act, 1956. The relevant formats for preparation of financial statements have been prescribed separately for life and non-life insurance companies by IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002. Apart from the year-end certification as specified in the Regulations, Auditors' certification is also called for on a periodic / ad hoc basis on concerned areas. Professional Chartered Accountants (CAs) are, therefore, thrust with responsibility to authenticate various information submitted to the Regulator by an insurance company. CAs, with the mission to be valued trustees of world class financial competencies, good governance and competitiveness and with a vision to recognize the need to be known as world class advisor, are relied upon by the public for financial advisors and the Regulator for regulatory comfort.

Table 2
CAGR of Deposit Insurance and Credit Guarantee Corporation Insured Deposits

CAGR (During Periodicals)	Total amount of insured deposits	Total amount of assessable deposits
2000-05	14.51	18.57
2005-10	21.55	23.56
2010-2015	24.87	29.24

From the given table 3 ,CAGR has been calculated on different periodicals, during 2000-05 total amount of insured as well as assessable deposits was 14.51, 18.57 respectively . Again during 2005-10 it was 21.55 as well as 23.56. while it was 24.87, 29.04 respectively during 2010-15, which represents fluctuation of insured deposits as well as assessable deposits.

Table 3
CAGR of Deposit Insurance and Credit Guarantee Corporation Liabilities and Assets (Deposit Insurance Fund)

CGAR	Surplus Balance	Investment Reserves	Total Liabilities Assets	Investments in Central Government Securities (at Cost)
2000-05	20.42	12.64	18.75	16.96
2005-10	20.42	20.66	20.85	20.03
2010-15	21.52	25.03	22.21	21.01

From the given table 4 ,CAGR has been calculated on different periodicals, during 2000-05 Surplus Balance, Investment Reserves, Total Liabilities Assets as well as Investments in central Government Securities was 16.96 respectively. Again during 2005-10 it was 20.03, respectively. But during the decade it was 21.01 respectively during 2010-15. Which represents fluctuation of insured deposits as well as assessable deposits.

CONCLUSION

It is very clear from the foregoing analysis that the approach of CRM by SBI and other nationalised are to some extent same and one but the reach is quiet distinguishable. It is due to the profile, their capability and the strategy of CRM in making it and reaching down to customers. On the contrary, it can also be asserted that the background of both banks also found as a big cause for reaching the top CRM. Hence, CRM is an inevitable tool of marketing that can be considered as Critical Responsibility of Market with regard to Banks in present context. The results in this study show the respondents either agree or strongly agree on majority of the statements in the dimensions used. This study is significant to banks as they get information on what are items that are important to customers so as to maintain the relationship.

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